

# FEATURE

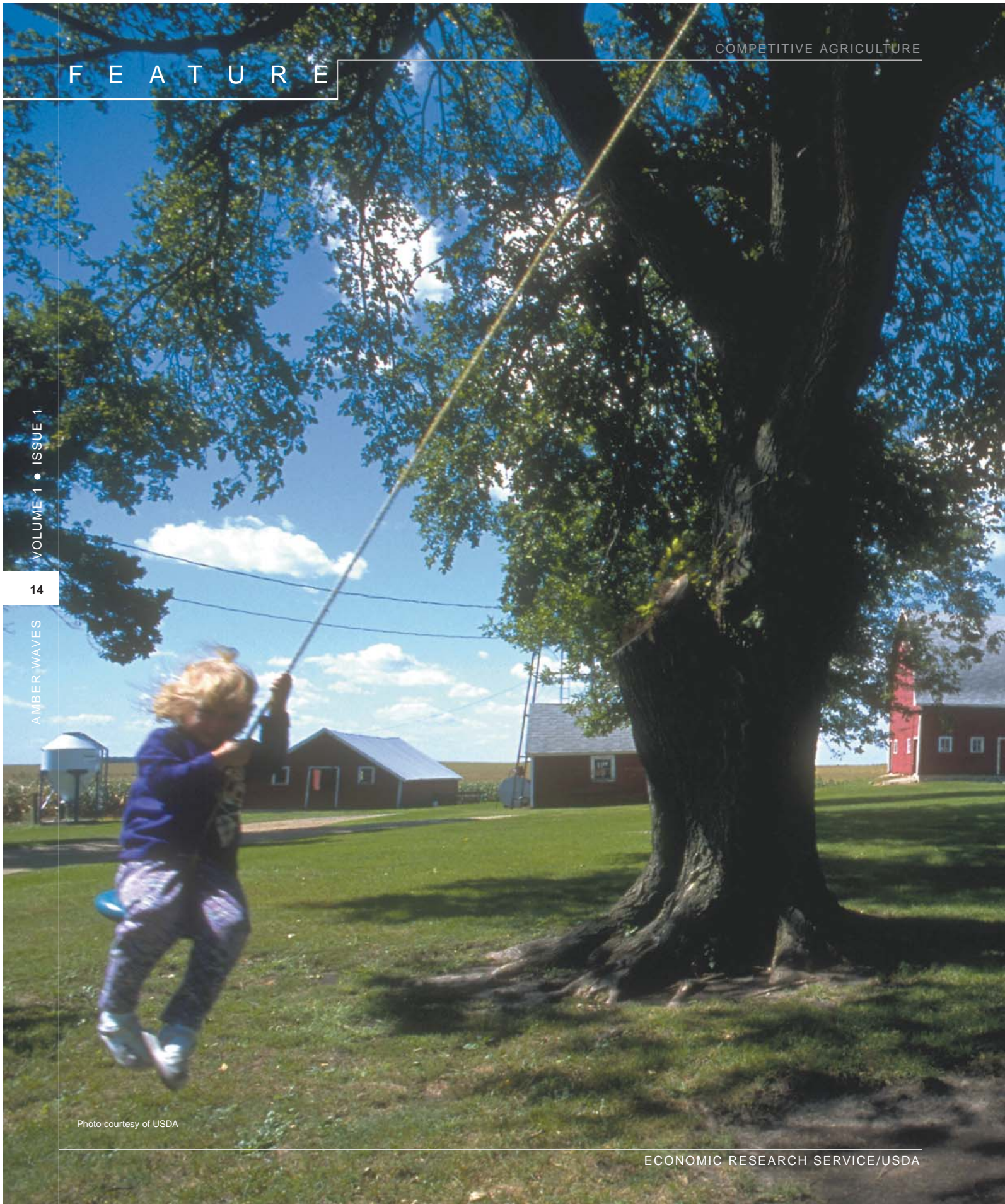
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AMBER WAVES

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F E A T U R E

# Rural America Opportunities and Challenges

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At the beginning of the 21st century, rural America comprises 2,305 counties, contains 80 percent of the Nation's land, and is home to 56 million people. It is a collage of people and places—a diverse mix of races, ethnic groups, terrain, climate, amenities, businesses, and institutions. No one industry dominates the rural landscape, no single pattern of population decline or growth exists for all rural areas, and no statement about improvements and gaps in well-being applies to all rural people. Some rural areas have shared in the economic progress of the Nation, while others have not. The opportunities and challenges facing rural America are as varied as rural America itself (see box, "Defining Rural Areas").

Farming no longer anchors the rural economy as it did through the mid-20th century. Today, seven out of eight rural counties are dominated by manufacturing, services, and other employment not related to farming. Despite these changes, rural and farm communities are becoming increasingly interdependent. Job growth in agricultural areas is now more likely to come from rural industries related to farming than from farming itself. Industries involving agricultural inputs, processing and marketing of agricultural goods, wholesale and retail trade of agricultural products, and agribusiness have increased their presence in rural communities.

Farm households themselves rely more on the local economy. Farm business income has played an increasingly smaller role in determining the well-being of farm households (see "The Economic Well-Being of Farm Households," p. 5). More than half of all U.S. farm operators work off-farm, with 80 percent working full-time jobs. Nearly 90 percent of total farm household income in 1999 originated from off-farm sources. The health of the rural economy and the effective operation of rural labor markets are of crucial importance to the

## Defining Rural Areas

Policy discussions about conditions in rural America often refer to "nonmetropolitan areas." Metropolitan areas are defined by the Office of Management and Budget to include core counties with one or more central cities of at least 50,000 residents or with an urbanized area of 50,000 or more and total area population of at least 100,000. Fringe counties (suburbs) that are economically tied to the core counties are also included in metropolitan areas. Nonmetropolitan (nonmetro) counties are outside the boundaries of metropolitan areas and have no cities with 50,000 residents or more. The terms "nonmetro" and "rural" are used interchangeably in this article.



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continued economic well-being of both farm and rural households.

Today, rural economies draw heavily from three basic assets: natural amenities for tourism and retirement; low-cost, high-quality labor and land for manufacturing; and natural resources for farming, forestry, and mining. Rural economies are both diversified and diverse, so tried-and-true economic development strategies applied nationwide may be less successful now than 40 years ago. Prosperity for today's rural communities requires educational upgrades to reflect changing market conditions and innovative marketing of natural amenities and other income-generating strategies to attract people and jobs.

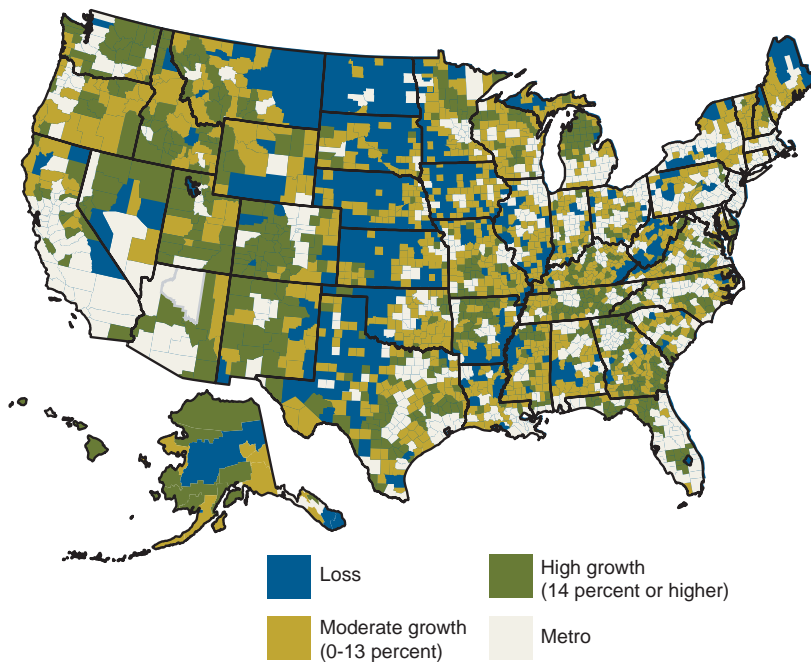
## Rural Population Rebounds . . .

For most of the 1990s, rural America enjoyed widespread population growth, rebounding from slower growth in the 1980s. The nonmetro population grew by over 10 percent from 1990 to 2000, versus 3 percent in the previous decade. Nonmetro growth slowed after mid-decade, but continued to outpace growth in the last decade.

Many rural areas are thriving. Boosted by both high immigration and high birth rates, the rural West grew by 20 percent, twice the national average. The South continued to attract residents, and with the West, accounted for over three-quarters of rural population growth during the 1990s. Moderate climates, scenic features, and other natural amenities like lakes stimulated rapid population growth in parts of the Rocky Mountain West, the southern Appalachians, and the upper Great Lakes. Much of this population growth stemmed from the immigration of retirees. High population growth in the rural South resulted partly from urban sprawl, especially around large metro areas like Atlanta. As urban areas expanded, more rural areas were encompassed in commuting zones.



**Population change varies widely across rural America**  
Nonmetro population change, 1990-2000



However, these population gains were not universal. Though the Great Plains as a whole achieved some population growth, stemming the 1980s exodus, the majority of Great Plains counties continued to lose people due to declining agricultural employment and the lack of jobs in other industries. Population loss occurred as well in some low-income rural areas such as the

Appalachian coalfields and the lower Mississippi Valley.

Changes in the Hispanic and elderly populations underlie many of these regional population patterns. Hispanics are increasingly settling in rural America (see "Hispanics Find a Home in Rural America," p. 11). According to the 2000 census, Hispanic growth rates exceeded 60

percent in rural counties during the 1990s, higher than any other racial/ethnic group. This growth is not just in the traditional settlement States in the Southwest. Almost half of all nonmetro Hispanics now live outside these States. In many places, new Hispanic settlement patterns are contributing to the revitalization of small towns; in others, the rapid growth is perilously straining community resources.

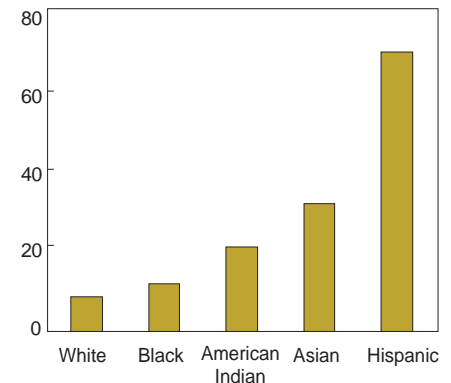
The older population grew rapidly in rural areas of the West and Mid-Atlantic regions, attracted largely by retirement. In the rural areas of the Great Plains, Corn Belt, and lower Mississippi Delta, however, the growth of the older population slowed and in many places stopped altogether. This pattern reflects the small size of the cohort now reaching age 65, a cohort that was depleted by many leaving rural areas for the cities in the 1940s or by others giving up farming in the 1950s.

### ... But Rural Employment Fluctuates

Rural areas as a whole shared in the Nation's economic prosperity in the late 1990s. By the end of the decade, the nonmetro unemployment rate had fallen to its lowest level since 1973. Employment continued to expand and real earnings increased through the decade.

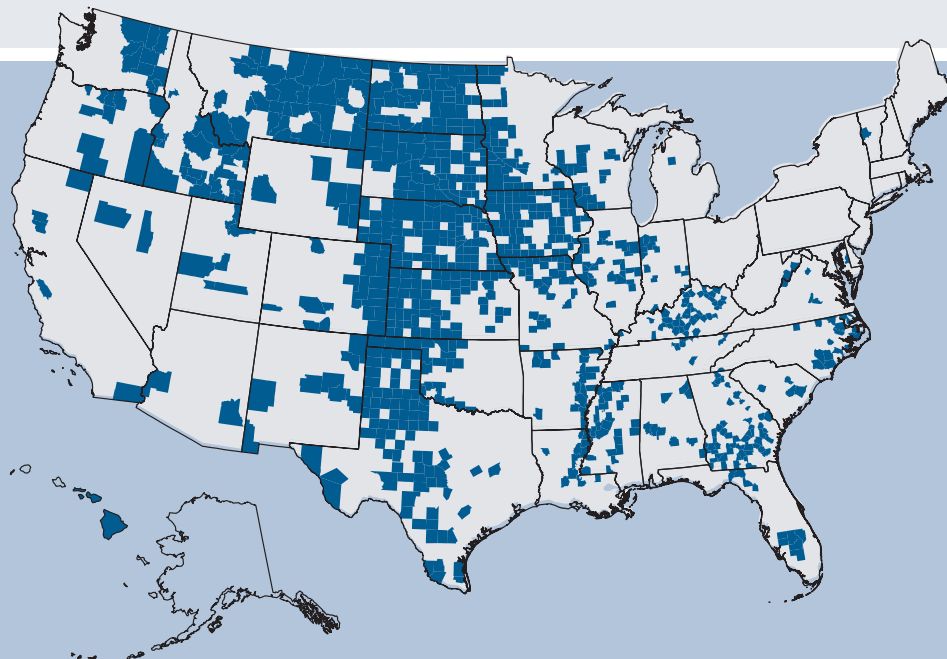
### Hispanics are the fastest growing racial/ethnic group in rural America

Percent population change, 1990-2000



## Farm earnings are growing less important to rural economies

*In 1969, farming accounted for 20 percent or more of earnings in 935 nonmetro counties. . .*



Then, in late summer 2000, the manufacturing industry experienced a downturn. By March 2001, the longest U.S. economic expansion on record ended, and the economy slipped into recession. The labor market continues to be soft, with high unemployment rates and slow job growth. The impact of this recession in rural areas has been mild compared with earlier recessions, but the manufacturing downturn has hurt rural areas more than urban areas, particularly in textile and apparel industries in the South.

Nonmetro employment declined 0.6 percent from 2000 to 2001, while metro employment remained steady. Much of the rural South experienced job losses during this period, fueled by the recent manufacturing downturn. Areas of the Northwest continued to wrestle with declining employment in timber and other natural resource industries. Some parts of

the Great Plains showed small employment gains from 2000 to 2001, but maintaining the population base, improving off-farm job opportunities, and providing public services continue to be long-term challenges for many of these traditional farming areas.

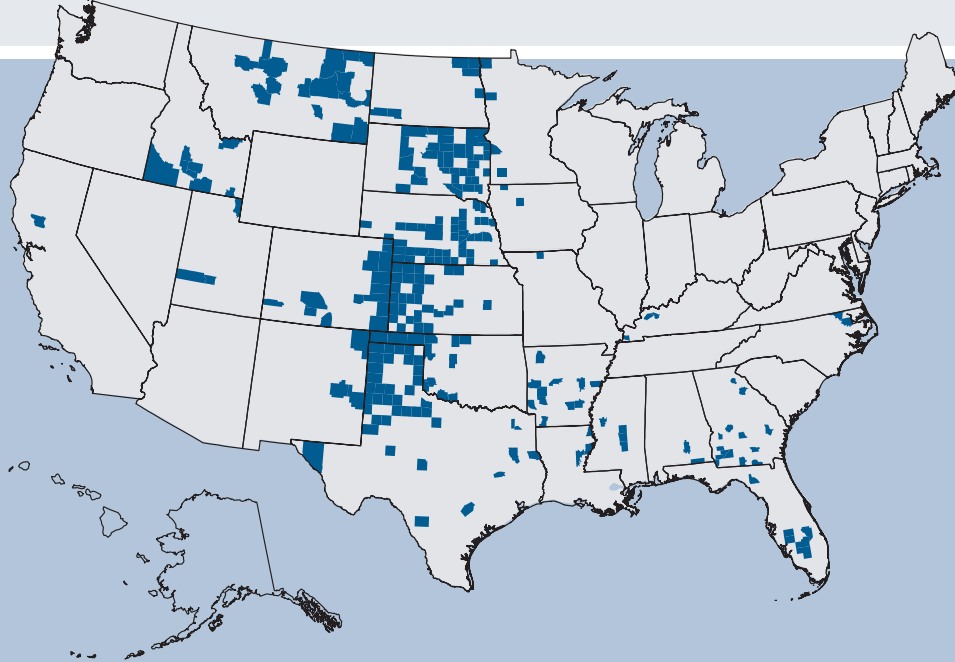
### Land, Labor, and Recreation Form the Rural Asset Base

The rural economy, once dependent on farming, forestry, and mining, is now more diverse. Manufacturing, services, recreation, retirement, and other nonfarm activities, all in varying concentrations, underpin different regions as befits their resources. In 1969, 935 rural counties depended on farming for 20 percent or more of their total earnings. Thirty years later, 262 counties were farm dependent. This economic diversity means that nonmetro areas are variously affected by glo-

bal, macroeconomic, and financial events, resulting in different labor market conditions. For example, trade liberalization is favorable to areas manufacturing aircraft (a U.S. export), but is of less help to communities producing apparel or footwear that must compete with lower cost products.

While rural America's time-honored assets are natural amenities, natural resources, and low-cost labor and land for manufacturing, most rural jobs are not directly related to these assets. Rural jobs are increasingly in consumer services such as retail trade, education, health care, and other services primarily for local residents. Yet, consumer services cannot thrive without agriculture, recreation, manufacturing, and even commuting, activities that bring money into the community. In contrast, urban areas draw from a different asset base and tend to specialize in more information-intensive

...versus just 262 nonmetro counties in 1999



activities, particularly producer services. This sector includes legal, financial, research, and business services, and has grown rapidly in recent decades.

Natural amenities, though, are the trump card for rural areas. Rural counties scoring high on the ERS natural amenities scale—counties with varied topography, relatively large lake or coastal areas, warm and sunny winters, and temperate summers—have tended to grow much more rapidly than other rural counties (see "The Roots of Rural Population Loss," p. 10). Although natural amenities do not ensure rapid growth, recreation has been one of the fastest growing rural industries.

Manufacturing has traditionally located in rural areas to take advantage of lower labor and land costs. Since the late 1980s, some manufacturers, competing on the basis of low-cost production, shifted their production overseas. Other manufac-

turers took advantage of new technologies and management practices and began to compete on the basis of product quality. This shift resulted in a need for more highly skilled labor, so manufacturing moved to rural areas with better schools and fewer high school dropouts. Such changes in strategy were reflected in a shift in the location of manufacturing employment. Manufacturing jobs grew by about 7 percent in low-education counties during the 1980s, reflecting the search for lower labor costs. In the 1990s, the pattern reversed and low-education areas lost jobs, as manufacturers sought a more highly skilled labor pool. Areas with high rates of high school completion are found largely in the Great Plains and parts of the rural West, and these areas have been most attractive to employers. Areas with the lowest rates of high school completion are found throughout the rural South.

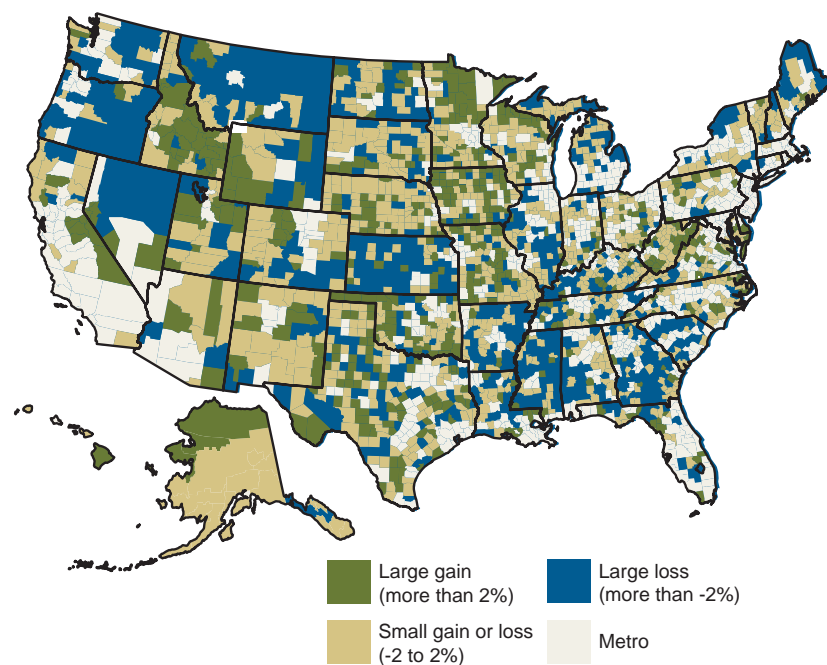
Rural areas were initially settled for their rich cropland or extensive mineral deposits. However, natural resources industries, particularly agriculture and mining, yielded lower total earnings in 2000 than they had a decade earlier. Employment in agriculture and mining has a long history of decline, and areas dependent on these industries have lost population. Using amenities to attract population and employment could restore these areas, but the very qualities that constitute good farmland—flat landscapes with abundant rain—often provide few natural amenities. However, recreation is not the only option for farming areas. The population in farming areas tends to be highly educated, which is attractive to manufacturers. Between 1989 and 1997, manufacturing jobs grew by over 13 percent in farming counties, compared with 2 percent in other nonmetro counties.





## Job losses highest in rural South and Northwest

*Nonmetro employment change, 2000-2001*



## What's Next?

Recent rural economic trends suggest two major emphases for enhancing rural development opportunities. First, today's youth, regardless of where they ultimately live and work, will need an unprecedented

level of education and technical skills to compete in the increasingly high-skill "new economy." Only 17 percent of rural adults age 25 and older had completed college in 2000, half the percentage of urban

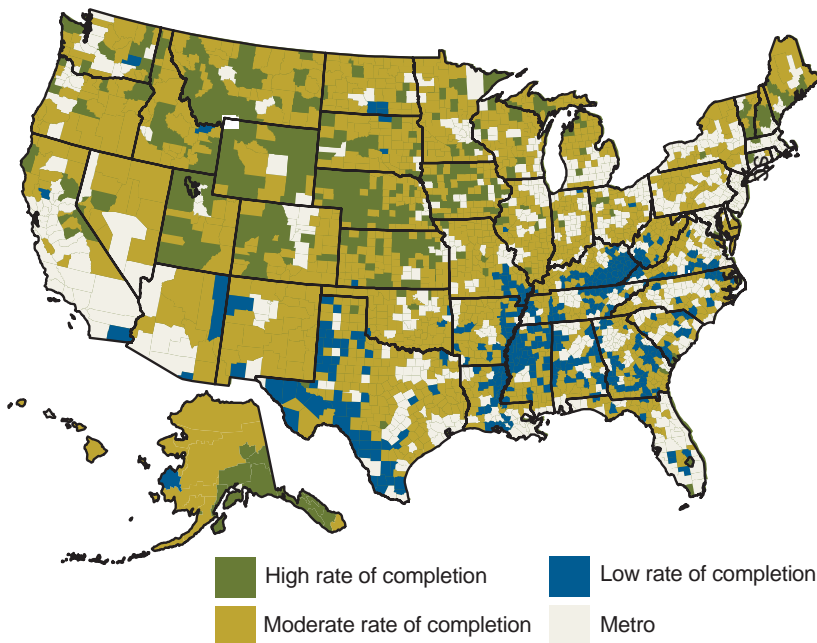
adults. Moreover, the rural-urban gap in college completion has widened since 1990.

In the past, many rural areas hosted industries that required a reliable pool of low-wage workers. Today, a labor force with low education levels poses a challenge for many rural counties seeking economic development. Employers are now more attracted to rural areas offering concentrations of well-educated and skilled workers, and low wage levels are no longer sufficient to attract businesses. Rural areas with poorly funded public schools, few good universities and community colleges, very low educational attainment, and high levels of economic distress may find it hard to compete in this new economy. All of these are major obstacles to the educational progress of local youth and to local development efforts.

Second, rural economic health and vitality depend on innovative ways to generate income. Jobs are declining and incomes are eroding in rural areas that depend on natural resource-based industries, such as farming and mining. Those areas that can adopt innovative income-generating strategies to build on their assets, diversify their economies, attract new businesses, and sustain their successes will likely thrive in the global economy. Many rural areas have successfully built on their assets and taken on new roles—providing labor for a diversity of industry, land for urban and suburban expansion, sites for prisons, and natural settings for recreation, retirement, and enjoyment. Enhancing rural communities as places to live, retire, and vacation may improve not only the quality of life for existing residents, but also the possibility of attracting new businesses and residents. These rapidly growing areas can help sustain their successes by ensuring that the changing demand for essential services and infrastructure is adequately met.



**Much of the rural South is characterized by low formal education**  
*Nonmetro high school completion among adults age 25 and older, 2000*



Recognizing the diversity of rural America is a key component of any strategy to enhance the economic vitality of rural communities. Rural diversity means that there is no single recipe for rural prosperity. Opportunities and challenges facing rural America vary by com-

munity and region. Farming communities in the Great Plains face different problems—with different solutions—than do poor areas of the Mississippi Delta, or counties in California's Central Valley. Rural diversity means that traditional farm programs play an increasingly limited role

in improving the prosperity of all rural Americans. The most effective rural policies for the 21st century will recognize the increased importance of nonfarm jobs and income as the main drivers of rural economic activity.

Rural diversity means that some areas have shared in the economic progress of the Nation while others have not. During the 1990s, the U.S. economy enjoyed an unprecedented period of economic growth, but at the end of the decade, almost 200 rural counties had sustained poverty rates of 20 percent or more for the last 40 years.

Rural diversity also means that rural community issues are often most effectively addressed at the local and State level. Programs designed to tailor assistance to local needs and improve program and service delivery work best at the local level, while the Federal Government can have an important coordinating role. Broad regional approaches have also proven to be effective in fostering economic development and facilitating service delivery. Efforts to enhance the economic opportunities for rural Americans call for unique partnerships among the spectrum of American institutions, including different levels of government, the business community, public advocacy groups, and local organizations. *W*

#### For more information...

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